

NATIONAL LAW SCHOOL OF INDIA UNIVERSITY

# Lone Peacock

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The Endless Wait for the Mango Showers

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30-May-15

Economic expansion through rural entrepreneurship and innovation driven by returned Indian diaspora

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# **Lone Peacock**

## ***The Endless wait for the Mango showers***

### *Abstract*

The main objective of this paper is to study and explore the potential role that the reverse migration of the Indian diaspora can play in driving and expanding the Indian economy through rural entrepreneurship by bridging the gap between urban India and rural Bharat. The research exercise is essentially descriptive and exploratory in its nature making a sincere attempt to propose a viable, holistic solution to the socio-economic problems that may arise due to the reverse migration of the Indian diaspora from across the globe. The solution encompasses social, economic, political and cultural aspects thus adopting a large bandwidth approach to the concerned problem. The basic crux of the paper is that the reverse migration of the Indian diaspora can be directly channelized into rural entrepreneurship and investments across sectors which in turn would lead to inclusive development of villages leading to the expansion of the Indian economy. The unit in focus will be Gram Panchayat (village councils) as the Indian government is already investing domestically and also inviting sufficient FDI in urban development, planning “smart cities” but the villages have remained neglected for long which have been excluded from the mainstream development leading to unsustainable levels of rural to urban migration. This paper explores and sincerely attempts to model an alternate channel of development for establishing and motivating entrepreneurship and innovation in the rural economy by using the entrepreneurial spirit, technical expertise and international exposure, professional knowledge and essential skillsets of the returning Indian diaspora to drive the development of self-sustaining “smart villages” giving an equal opportunity for the rural economy to grow and integrate with the urban economy and contribute significantly in the overall national development maximizing both the urban and rural potential without disturbing the indigenous customs, tradition and cultural ambience of the village keeping the cultural and emotional connect of the diaspora in mind.

### **Background**

The title becomes very significant in building the context and backdrop of this paper. “Lone Peacock – The Endless Wait for the Mango Showers” explains the kind of relationship that currently exists between the Indian diaspora and the national economy and what kind of relationship is expected in the future once they return to India and how they can play a vital role in the country’s development and act as seeds of growth rather than increasing the dependency on the already burdened, unsustainably populous economy. Peacock is the national bird of India and symbolizes the aspirations of billions of ambitious Indians. It is lonely because of the isolated and cold-storage relationship that exists between the Indian economy and its global diaspora. This solitude is mutual and is benefitting none due to which the wealth of potential that could be generated from close mutual cooperation be it social, economic, political, cultural or

spiritual, is not being harnessed completely keeping them aloof and estranged. “Mango showers” represents the first showers of Monsoon in India, which is considered very auspicious and vital for the first crop signifying the beginning of the agricultural season in the country. It is also the time when peacocks come out and flaunt their spectacular plumage and dance to the tune of the rain symbolizing happiness and ecstasy. It symbolizes India which is requesting its global diaspora, euphemized as “Mango showers” to come and invest their time, money, energy, knowledge, expertise, skills and love for their own roots after this incessantly long period of isolation and non-participation to create a united, happy, aspiring nation while She will provide all the necessary opportunities and requirements needed to drive the nation forward on the development scale. It is a call to all the “peacocks” alerting them that the endless wait is over and the future if there is for this nation, it is now. This is the significance behind the title.

The soul of India lives in her villages.60 percent of the population still lives in the villages with more than 50 percent of the population depending upon agriculture with disguised unemployment.With a weak, narrow manufacturing base, ailing agriculture sector and a services economy heavily dependent upon external economy, job creation becomes very difficult as it is dependent upon external factors and due to this increased exposure to global economy, the domestic economy becomes fragile and susceptible to global financial shocks.With the unemployment rate rising, volatile currency, supply side bottlenecks, huge population with the largest demographic dividend, soaring inflation and poverty beyond misery, failing education and healthcare systems, rising corruption, malgovernance and increasing crony capitalism and concentration of wealth, the economy is on the fringes of fire. With the influx of reverse migration in this condition, it would be very difficult to accommodate them with the existing economic capacity.This would increase the burden and put more pressure on the ailing economy which may lead to more poverty, rise in unemployment, rural-urban migration, over-congestion and unsustainable levels of urbanization.The only way out of this peril is economic expansion and this can be done positively through entrepreneurship.But since the Indian government is already investing on urban development and planning, villages where more than 60 percent of India lives has long been left out of the mainstream development.That is why this alternate model of rural development is proposed in this paper which proposes a model of rural entrepreneurship and innovation driven by the reverse migration of the Indian diaspora from the worldover.

### **Research objective**

Since the Indian government is already investing and also inviting FDI for urban development and planning, the focus of this paper revolves mainly around the village which has long been neglected and needs to become the unit of development. There is a deep divide between the urban economy and the rural economy. This paper would like to explore the possibility of having an alternate channel of development for the village economy by using the immense entrepreneurship potential, technical expertise, professional knowledge and essential skills that the returning Indian diaspora by having hometown associations, robust business networks, inherited social capital that they would bring with them to drive rural entrepreneurship which would lead to an expansion in the Indian economy by creating more jobs, increasing productivity and efficiency rather than them becoming dependent on the existing economy which would increase the pressure on the limited resources of the nation causing socio-economic decline.

Smooth accommodation of Indian diaspora by economic expansion through skill-based, professional rural entrepreneurship and innovation across sectors supported and driven by the diaspora themselves in establishing self-sustaining smart villages leading to a possible closure in the urban-rural divide. The main objective of this paper is to explore and propose a model called Darpan to develop this alternate channel of development for the sustainable growth of rural economy in India leading to inclusive expansion of overall national economy by capturing both urban and rural potential.

## **Research question**

The main question that this paper attempts to explore is that can this proposed model called Darpan which is based on the entrepreneurship skills, technical expertise, professionalism and international exposure of the returning Indian diaspora having home town associations, robust business networks, social capital be used successfully to drive rural entrepreneurship and innovation across sectors opening new channels of employment, generating productive, skilled human resource in the village, for the village and by the village itself bridging the urban-rural divide leading to a harmonious, sustainable integration of urban and rural economy and capturing both of them in the overall national development resulting in inclusive growth?

## **Literature Survey**

A thematic approach and a coverage approach is carried out regarding the literature review According to the thematic approach, contributions were identified and analyzed according to specific topic they address. By means of coverage analysis, the evolution of the topics over time is shown (i.e. longitudinal analysis), in terms of assessment.

### **a. Thematic approach**

The themes of hometown associations, application of concepts like adoption of village panchayats (village councils) for creating that emotional and cultural connect, building robust business and social networks was referred to from sources like (Newland, 2004), the potential role that the returning Indian diaspora can play in terms of driving indigenous entrepreneurship, dissemination of skills, technical expertise and skillsets was understood from (Laglace, 2008) and sources like (Hercog & Siegel, 2011).The necessary policy interventions and critical analysis that could be done for mitigating the problems arising from reverse migration was understood from (Lum, 2012) and (Singh, 2012)

### **b. Coverage approach**

The aim of the coverage analysis is to examine the evolution of the considered topics over time, in order to understand the phenomenon and trends of researches in the selected literatures. Sources like (GoI, 2013), (L.M.Singhvi, n.d), (GoI, First Pravasi Bharatiya Divas Report, 2003) and (Kumar, 2014) was basically referred to understand the evolution of the emerging role and importance diasporic studies to engage them in the development and growth of the economy.Once they return, their skills, expertise and knowledge could be used to drive industry specific sectors according to their expertise adding entrepreneurship spirit in creating more jobs, competition, building infrastructure

all in the rural setup armoring national growth by maintaining a healthy balance between urban and rural economy in the process mitigating the socio-economic problems that may arise due to reverse migration.

### **Proposed solution space – Darpan Diasporic Network**

- **Theoretical analysis – theories used**

1. Route to root theory

Under this theory, the returned diaspora can voluntarily adopt native gram panchayats (village councils) for investing in rural development through the formation of diasporic co-operatives called Darpan which are attached to corresponding adopted gram panchayats. The condition is that if they would be willing to adopt, it would be made mandatory to adopt their own native gram panchayats. Flexibility would be extended taking into consideration the number of diaspora willing to adopt and also taking the consent of the concerned village councils. The rationale behind this is to connect the diaspora to their roots of origin. This would connect them to their land emotionally and a sense of belonging would be infused. The village community would also accept such a proposal with ease as this relationship would be based on strong trust instead of a fragile contract as the interested investor would be from the same village. A community feeling would be developed and this would strengthen collectivization towards development. This could be implemented using the already existing “Tracing the Roots” policy of Government of India where interested diaspora could trace their roots by applying to their respective Indian Missions.

2. Principle-Agent theory ( regulation of conflict)

According to the principle agent theory, one party (agent) agrees to work for another party (principle) in return for some incentives. Such an agreement may incur huge costs for the agent, thereby leading to conflict of interest. Owing to the costs incurred, the agent might begin to pursue his own agenda and ignore the best interest of the principle, thereby causing the principal agent problem to occur. This theory is used to eliminate such possible conflicts of interest that could arise between the diasporic investors and the government organizations concerned so that the best interest of the principle is preserved. This theory would help in deciding the nature of incentives that could be provided to prevent perpetuation of such conflicts.

3. RPI – X theory ( regulation of profit)

It is a price cap regulation method which takes into account the rate of inflation, measured by Retail Price Inflation (RPI) and subtracts expected efficiency savings X. This system is intended to provide incentives for efficiency savings, as any savings above the predicted rate X can be passed onto the shareholders at least until the price caps are reviewed next. Another important part of this regulation mechanism is that the rate X is based not only on the past performance of that firm but on the performance of other firms in the industry. The X-factor reflects the difference between the operator and the average firm in the economy with respect to the operator’s ability to improve its productivity and

the effect of inflation on the operator's input costs. This mechanism will be used to check profits of the diasporic cooperatives and also incentivize efficiency and productivity of these cooperatives to become more competitive.

#### 4. Public Choice and Game theory

Public choice theory by James Buchanan, is the application of economic tools to explain the problems of political science. It is based on the foundation of Rational Choice theory and it postulates that agents (voters, politicians and bureaucrats etc) all come together in a system because of their own self-interests and in turn try to maximize their own utilities. Keeping this in mind along with the application of Game theory, number and quantum of incentives are decided for corresponding sectoral investments for making strategic decisions regarding incentives for Darpan (diasporic cooperatives).

#### 5. Social turnovers

A new concept is introduced in this paper called social turnovers. It is a composite index that will be created out of aggregating:-

1. EI (Entrepreneurial Index) – calculated on the basis of number of startups established in the gram panchayat jurisdiction (village council) (six month incubation period used for calculation of net worth for success rate of startups for listing under the index)
2. PCI (per capita income) – indicator to check for poverty reduction
3. HDI (Human Development Index) – indicator to check for overall human development (long term average)
4. Employment rate
5. Basic Infrastructure Index (BII) – indicator to identify the rate (percentage) of access to basic infrastructure like road, water, electricity for the gram panchayats (village councils).
6. Happy Planet index (HPI) – measure of sustainable well-being (Marks, 2012)

This index will then be scaled from 1 to 10. The social turnover which is calculated will be used as the unit of socio-economic transformation which will be calculated for every five years and then successively differentiated to find out the magnitude of transformation in the village society.

#### 6. Parallel organization theory

Instead of moving up and down through the regular hierarchies which delay clearances and decision-making, parallel organization theory is used here to establish parallel duplex communication channels at every level of hierarchy for expeditious movement of communication and decisions between the gram panchayats(village councils) and Darpan(s diasporic cooperatives)

#### 7. Pipelined governance theory

The three tiers of governance in the country consisting of the Centre(Ministries), the federal units (states) and gram panchayats( village councils) and the entire Darpan network attached parallel to every gram panchayat will be linked by seamless, parallel governance machinery for efficient coordination, cooperation and free flow of information.

#### 8. Reverse Game theory

This strategic theory is used to design the entire government- Darpan(s diasporic cooperatives) financial model to rationalize decision-making and achieve the main objective, that is rural development by making the various stakeholders play according to the prescribed, designed rules of the game without giving any chance for discontent or rejection.

#### 9. Rurban development theory

This theory proposes to provide all the urban facilities in the rural areas without interfering with the cultural ambience of the village.

### • **Rationale and Objective**

If the Indian economy is considered, most of the current domestic investments and also the inflowing FDI is directed towards urban planning and development. In the process, the villages are deprived of these development benefits as a result of which they are not provided with sufficient capabilities to contribute to the national development process. This constantly increases the divide between the urban and rural economy depriving the whole nation of an inclusive development model. Due to this, the entire potential of the economy does not get harnessed in terms of both natural resources and human resources. So, an alternative model of developing the village economy is explored in this paper which could provide sustainable solutions to the many woes arising out of this inequitable development.

The returned Indian diaspora could be used as a rich human resource pool to drive the rural economy. Because of this reverse migration process, the influx of the Indian diaspora will further burden the already burdened economy putting more pressure on the limited resources of the land. The unemployment rate will rise, inflation rate will increase, land prices will go up due to increased demand and the economy may breakdown due to this excess pressure. Further more, India majorly being a services economy, the manufacturing base is very narrow due to which the economy may not be in a position to absorb this excessive population even though they are skilled and professional. So there is no other way but to expand the economy, increase the size of the pie and spurring entrepreneurship is the most

desirable method of achieving this expansion. Since, more than 60 percent of India is rural-based and is heavily neglected until now, this model aims at channelizing this entrepreneurial spirit of the returned diaspora into the rural economy, accelerating the rural engines of growth for achieving smooth integration with the urban economy boosting the overall national growth.

- **Conceptual Framework**

For this objective to materialize, the model of all-India Darpan Diasporic Network is proposed. At every gram panchayat (village council), the smallest unit of governance in India, a diasporic cooperative known as Darpan will be established. Darpan will be formed entirely by the diaspora who will adopt these gram panchayats according to the Route to Roots theory for bringing in the emotional connect to their roots of origin. The Darpan created at all the gram panchayats all over the country will be interconnected and integrated for effective coordination, cooperation and rapid flow of information among them. The main objective of these Darpan is to drive rural entrepreneurship and innovation across sectors, boost the rural economy, cushion the accommodation of the returned diaspora which will eliminate the dependency on the existing economy and rather expand the economy by keeping village as the unit of development leading to the creation of smart villages adding to the national growth. These Darpan themselves will have the weapons of entrepreneurship, technical expertise and knowledge which will be used to generate an efficient human resource pool from villages creating more jobs, increasing productivity, efficiency and competition at minimal costs as these Darpan need no training as they themselves form a skilled resource pool.

- **Model of Darpan**

1. Structure

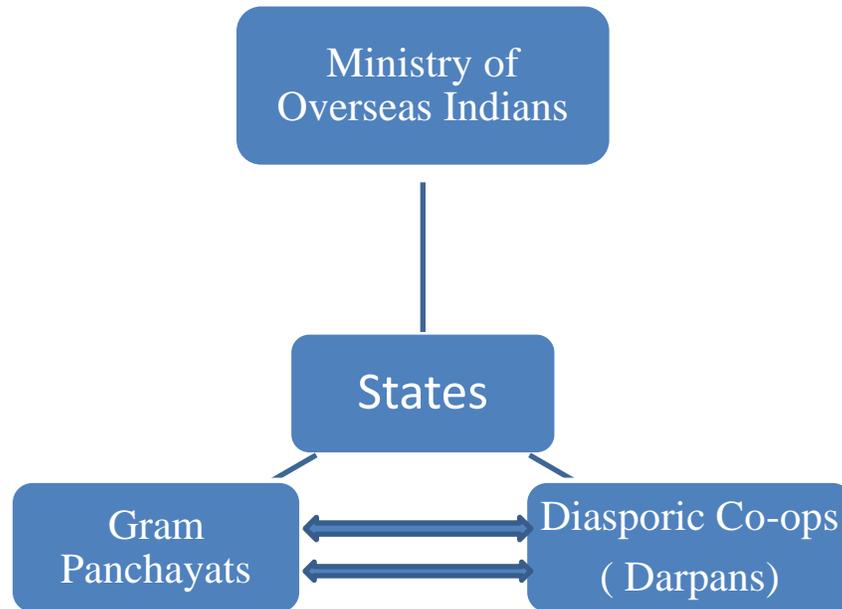


Figure 1 : Proposed hierarchical structure

At the national level, first tier, the Ministry of Overseas Indians will be the nodal agency along with the sister ministries consisting of Ministry of Finance, Ministry of Commerce and Industry and Ministry of Rural Development and Panchayati Raj. The second tier consists of the federal units (States) and the third tier consists of parallel organizations of gram panchayat on one hand and Darpan on the other. Route to Root connect theory will be used to determine the adoption of native gram panchayats and formation of corresponding Darpan in these villages. The adoption of these village councils will be strictly based on nativity but flexibility will be provided based on the human resource strength of Darpan and also the consent of the village communities. These three tiers will be connected through Pipelined Governance structure for expediting business and achieving increased coordination across tiers of governance. The gram panchayats and the Darpan will form parallel organizations each of them connected at every level of functioning hierarchies for establishing parallel, duplex channels of communication again to increase the rate of business transactions and decision making.

The Darpan of all the gram panchayats across the country will be integrated and interconnected with each other via high-speed virtual highway on digital space, mapped on the digital map of India for effective coordination, cooperation and also facilitate seamless, free flow of information both among these Darpan and also between these Darpan and the Government at different levels. All these Darpan at the village level will be headed by a

Nodal Darpan attached to the Central Ministerial group (Ministry of Overseas Indians, Ministry of finance, Ministry of Commerce and Industry and Ministry of Rural Development and Panchayati Raj).

Each of the diaspora who form the village-specific Darpan will be given a permanent residency certificate which mandates a certain minimum investment for that village before getting any claims in that gram panchayat jurisdiction to prevent absentee landlordism and taking any unfair advantage of these benefits.

## 2. Functions

The main function of these Darpan is to boost the rural economy through cooperative entrepreneurship, technical expertise, professional knowledge and essential skillsets which will ultimately lead to what are known as smart villages. These diasporic cooperatives form a talented human resource pool where they have acquired knowledge and industrial expertise from abroad which they can use it here to drive growth in their own roots of origin which can lead to massive creation of jobs, development and establishment of new sectors, bring in investments, create robust business networks, pass on the inherited social capital to the villages and provide a level-playing platform for these villages to grow and contribute significantly to national development. There is no need for investment on training these Darpan as they themselves are trained and expert bodies which are ready to be deployed for producing development results in the villages instantly. These Darpan consist of sector specific experts from the diasporic community from different parts of the world and because of this advantage of international exposure along with the cultural connection with their common adopted land (their roots), they can bring in international best practices in various sectors of the rural economy that can be indigenized according to the local requirements of the villages.

The development process will be based on Rurban model where urban facilities from international best practices will be provided in these adopted villages but preserving the customs, traditions and the cultural ambience of the villages. Due to this cultural connection, land acquisition also becomes easy. Since land acquisition here, will be replaced by collectivization of land ownership of the gram panchayat community (village council) because it will be based on trust and belongingness instead of a paper contract. Investments meant for that panchayat jurisdiction will be invested in that jurisdiction only but flexibilities will be provided only under extreme circumstances based on strength of Darpan and capital available.

These Darpan will be the frontrunners in opening rural entrepreneurship warehouses in their corresponding gram panchayats to attract rural youth to open and start their own firms in different sectors. This will lead to creation of more jobs preventing rural-urban migration, one of the severe problems faced by the Indian economy. Jobs will be created in the village, by the village and for the village. The vast talent of the diasporic human resource pool can be utilized for the overall human development in the rural economy.

Innovation will be incentivized and rural economic expansion will be driven by encouraging rural entrepreneurship. The dedicated Innovation Fund, a contribution by the Central government will be meant only for investment in rural entrepreneurship and

innovation to encourage the same. The Darpan, being a specialist body itself can have sessions of career counseling, consultancy services, financial services and advice to the rural population. They can also be a gateway of bringing in new and advanced technology and knowledge about the latest technological advancements around the world to these villages acting like a window of hope and ambition for the young rural youth.

Using their social capital and networks abroad, the Darpan can bring in further investments and also globally connect their adopted gram panchayats to places worldwide increasing their global accessibility to information, technology and people.

### 3. Finance

Decision of Diaspora to come back to India will have a major impact on the socio-economic structure of India. Apart from certain challenges that such a situation may pose, it has a potential to transform the socio-economic structure of the nation. As these people chose to come back and serve India so they will be happy to connect to their roots and contribute in a way that can create a symbiotic relationship between them, the society and the government. In an attempt to expand the pie, they may create opportunities for themselves and the society. Indian society is considered to be an agrarian society and majority of the people are still connected to their villages. Many a times the emotional connect to their origin acts as a decisive factor responsible for people to come back to India. Considering this in mind, it will be good to provide them good opportunities to not only get connected to their villages but also contribute to make their villages a better place to live and grow. In the process, they will be able to create opportunities for all stakeholders including themselves.

Keeping this approach in mind, the Diaspora will be given an opportunity to adopt the village to which they have their roots connected. The emotional attachment will motivate them to make their village a better place to live by creating a sustainable model of development for the village panchayats (generally a group of 3-5 villages). Apart from the emotional connect the entrepreneurs will invest in their respective villages for overall development of village panchayats and return on investments made with surplus profits. To attract such investment certain incentives will be granted to them. Some of the incentives would be as follows:-

#### **Incentives for attracting investments and generating revenues**

##### 1. Total investments made will be treated as an expense under Indian Income Tax Act

The total amount of investments made by Diaspora for developing village panchayats and for creating opportunities in some identified sectors like education, health and entrepreneurship will be treated as an expense and hence will be eligible for deduction against the income for a particular assessment year. This benefit will be extended only when the Darpan will make a minimum investment in all the sectors in a village panchayat. This will reduce the total income and hence the applicable tax slab of the cooperative thereby reducing the tax liability for the particular assessment year.

2. Tax exemption on return on investments under Indian Income Tax Act

To provide better incentive to Darpan, the Indian Income Tax Act will provide tax exemption on the total income earned out of the investment made by Darpan in rural area while creating social entrepreneurship. This will act as a huge incentive for such Darpan and hence it will attract large chunk of investments in rural areas and will help in transforming the overall economy.

3. Tax credit can be claimed on import of sophisticated equipment's technology on proved rural developments and entrepreneurship

With an aim to provide more incentives to such Darpan, the government will provide a benefit to Darpan for claiming tax benefit from the income tax department, if they chose to import sophisticated equipment's and technology to be used in rural developments and social entrepreneurship. In this form of arrangement, the Darpan will need to pay the import duty or tax on such equipments while importing but if they will use these equipments in promoting social entrepreneurship for rural development and prove it by furnishing needed papers; it may claim tax credit from the income tax department while filing income tax return.

4. The surplus budgets from Darpan will be put into dynamic fix deposit and additional interest will be provided for such deposits when compared to nominal bank rates (0.75 % extra premium on the invested amount), which will incentivise the Darpan to park their funds in the banks and this money can be used for reinvestment in the same or different village panchayats according to their needs. This surplus fund could also be used for the creation of inflation-indexed rural investment and Government of India infrastructure bonds with a maturity period of 7 years and 10 years

### **Operational structure**

Some operational structure will be created in order to facilitate smooth functioning of the discussed objectives. Some of such operational structures are as follows:-

1. These Darpan can invite into their adopted gram panchayats only (If necessary)

Unless there are some compelling and genuine reasons present, the Darpan will only be allowed to invest and transform the socio-economy status of the village panchayat with which roots of such diasporas are connected.

## 2. Sources of funds

In order to facilitate to meet the desired objectives, there can two ways through which funds can be invested.

### a. Darpan cooperative fund (Darpan)

This is one source of fund which is being created by the cooperatives of India to facilitate an idea of a more dynamic rural development. To make it happen, the diasporas of a particular village panchayat level will create this fund to help social entrepreneurship intended to support rural India, without affecting their indigenous culture specific to a particular context.

### b. Innovation fund

The innovation fund will be created to help and boost the innovation needed to support a better and more sustainable form of development. This fund will be used to help people who are willing to transform rural India keeping innovation and technology at the centre to promote entrepreneurship only and no diversion of funds will be possible apart from the given objectives. This fund will be provided by the Government of India to facilitate an idea of a more dynamic rural development. In order to facilitate Darpan with the innovation fund, a new line of banks (Darpan Banks) will be created.

## 3. Darpan banks under Reserve Bank of India

The Darpan Banks created will be brought under the under the purview and jurisdiction of the Reserve Bank of India which is the central bank of the country. The central bank will look after the affairs of this bank which has been created to help and support the entrepreneurs working in rural India.

## 4. Separate bank accounts

A unique and separate bank accounts known as Darpan accounts will be opened for this in all banks with separate Know Your Customer (KYC) norms. A separate and unique identification number known as DIASPORAPAN for tracing and scrutiny of such accounts will be issued to mark a clear difference between accounts held by diasporas and other Indians. This will also help to keep a track of each person who came back to India and this would help to formulate customised policies to suit their requirements.

## 5. Insurance against Entrepreneurial risks

Keeping in mind the role of entrepreneurship in transforming the rural economy in India with diasporas at the centre, it will become important to create an environment or culture of entrepreneurship in rural India. In pursuit of this, it is important to instil confidence in the minds of people who are willing to become entrepreneur. The faith can be instilled if they get a protection from the risk of incurring losses after they start up their business venture in rural India. In order to curb this fear, it is proposed to start a new product in the form of insurance to such entrepreneurs. The entrepreneurs will agree to pay a token sum as premium and in return will get protection from insurers against the risk of failing in their business venture in rural India. Considering the fact that majority of the business venture that gets started fail within three years of their beginning. The risk in this way is very high and hence it will be difficult for the entrepreneurs to prove it to insurers about the viability of their venture. Interestingly with a new proposed model, the insurer will charge premium from the entrepreneurs from the beginning of their operations but will extend protection from business failure only after one year of their business start up. This model will ensure that only passionate business entrepreneur will be willing to pay the premium for such insurance and they will act in the most efficient way. This kind of model is already in practice in health insurance wherein the pre-existing diseases are not covered before three years of policy enforcement date. This practice is used as it is very difficult to know about the pre-existing disease prevailing in a person. Similarly, it is difficult to know the efficiency and management style of a new business set-up and once entrepreneurs will prove their competence after one year, their risk cover will start. In order to distribute the risk further, equitable distribution of risks between the government and DIASPORA co-operatives will be put in place.

## 6. Export-Import Bank (EXIM bank) to provide separate accounts norms and export subsidies for rural exports from such adopted gram panchayats.

The EXIM Bank will provide separate accounts for Darpan with specific norms and regulations, will promote exports from these Darpan by providing export subsidies, sector specific upgradation credit and loans depending upon the performance rating of the corresponding Darpan. This will boost rural exports; promote rural industries which are basically small scale and cottage industries. This will also put the indigenous rural products of India on the global map and create new markets for such ventures.

### **Revenue**

The revenue model that will be utilised here can be as follows:-

#### 1. Goods and Services Tax

It is important to note that a sustainable model of generating revenue is much important to make the entire model sustainable. In order to achieve sustainability, it is

proposed to allocate 2% of Goods and Services Tax (GST) towards Darpan fund, after its implementation in India.

## 2. Contribution by Corporate Social Responsibility model

In India it is mandatory for the corporate to contribute 2% of their total profit towards corporate social responsibility fund. It is proposed that 0.5% of the total corporate social responsibility account should be diverted towards Darpan fund, as it has a potential to transform the rural economy of India and close to 65% of people are still dependent on agriculture and more half of India's total land is used for agriculture.

## 3. Contribution of Minimum Alternate Tax (MAT) and Corporation tax

It is proposed that 2% of the total amount collected against Minimum Alternate Tax (MAT) and Corporation tax account should be diverted towards Darpan fund. Although 2% contribution is not a huge portion but with other support systems it will certainly prove to be more sustainable and worthwhile.

## 4. Contribution of Tax revenue foregone from Special Economic Zones (SEZ's) to feed Darpan

In order to generate revenue it is proposed that 2% of the tax revenue foregone from Special Economic Zones should be contributed to feed Darpan. This will yield a huge chunk of money available to the government to use it for developing the rural economy in the given model.

## 5. Sustainable profit sharing mechanism between Government and DIASPORA co-operatives

Keeping in mind a robust support system provided by government, it is proposed that the profit that the cooperatives earn through entrepreneurship should largely go to the cooperatives and it can be marginally shared by the government. Only 3% of the total profit will be transferred to the government to make the model more sustainable and strong.

### **Expenditure:**

#### 1. Innovation Fund usage

Innovation fund will be used for village panchayat specifically to promote rural entrepreneurship warehouses and that is to create new jobs in rural areas. This scheme will be implemented in each village panchayats by these co-operatives to attract rural youth. This will help to prevent over migration of youth to urban areas for livelihood.

## 2. Minimum stipulated expenditure on each sector

Minimum stipulated investment in each sector (agriculture, education, rural infrastructure etc) is made mandatory beyond which the surplus budget can either be invested in any sector according to its productivity as seen by the Darpan or it can be channelized to banks for further capital formation.

## **Regulation of Profits**

RPI-X Regulation is used to check the profits of these Darpans by enforcing them to be efficient, effective, competitive and judicious in their use of resources and funds because according to this regulation mechanism the quantum of profits earned by the Darpan is a function of its efficiency.

## 5. Organizational locus and networks

These Darpans as an organization will be integrated and working in coordination with specialist, expert bodies in the corresponding sectors. For example in agriculture, India has what is known as Krishi Vigyan Kendra (KVKs) in almost all gram panchayats which is expert body consisting of agricultural scientists advising farmers on scientific cropping and agricultural practices. These can be integrated with Darpans for making pragmatic investments in the agriculture sector depending upon space-time analysis like micro-climatic agri-ecological zones mapping for better crop productivity, soil texture, nature and fertility etc. These Darpans can also coordinate with the academia for expert consultation and advice in various sectors of the rural economy for example improving education delivery, efficient distribution of food resources and so on.

Darpans will be connected seamlessly with government organizations, the academia, industry and also the civil society. Apart from these, the Darpans across the country will be integrated and connected and the entire network will be headed by the nodal Darpan which will be attached to the Central Ministerial Group to maintain coordination and facilitate information flow. This nodal Darpan will maintain a digital list of all these Darpans across the nation along with gram panchayat (village council) specific information for easy and accurate performance audit, merit of process audit, financial audit etc. This will act like a one-stop digital shop and a single window to get information about any Darpan in the country facilitating information access.

In addition to this these Darpan can be integrated with institutions like Overseas Indians Facilitation Centre(OIFC), India Development Foundation, India Centre of Migration, Global Indian Network of Knowledge, the Prime Minister's Global Advisory Council and Overseas Indians Centre to act as one-stop shop for economic management, business and investment, philanthropy, think-tank, overseas employment for skilled educated rural youth, leveraging the transfer of knowledge, identification of talent and expertise, expert labour and counselor wings and so on.

## 6. Usage of Technology and Innovation

All the Darpan across the country will be interconnected and integrated with each other via a high-speed OFC(optical fibre) internet virtual highway creating a dedicated National Darpan Virtual Highway specifically meant for high speed information flow among these Darpan for effective coordination and cooperation. As time progresses, these machines and connections will be guided by IoT (Internet of Things) and Cloud development having essentially machine-machine interface reducing human intervention using high-end electronics, Big Data softwares and the Internet making it more seamless in terms of automated updating of information, automated flow of information, automated maintenance of accounts, balance sheets of each of the Darpan and also publishing these documents on the public domain.The inclusion of such technology to reduce human intervention brings in transparency and accountability. This will be implemented as a component of E-governance by the Government of India and the diasporic cooperatives will be invited to register and use this infrastructure on the basis of IaaS( Infrastructure as a Service) model paying nominal rent for usage.

Websites will be developed specific to these Darpan containing village specific important information regarding best practices, finances, performance ratings, information under RTI(Right to Information) domain, tourism, jobs vacancies, efficiency of sectors, schemes, information about the specific Darpan will also be displayed.All these will also be available on the Nodal Darpan for single window access with automatic access.

## 7. Regulation

Bodies called Darpan Sansads will be created which will be attached to the second tier of governance, that is federal units(States) for regulation of this vast network of Darpan.Darpan Sansads will consist of three members who will be appointed by the Central government based on merit of performance and popular choice of the concerned gram panchayat(village council).The performance ratings of these members heading the Darpan Sansads will also be made public on the corresponding websites.Public hearings in regional languages will be held to determine the popular choice after revealing the past performance of such mebers.Considering merit and popular choice, these members will be appointed by the Central Government. These members will strictly be from the other Darpan and not from the same Darpan which will be regulated.These three members will be from three different Darpan. This is to maintain neutrality in regulation. These Darpan Sansads will regulate all the Darpan coming under its corresponding federal unit(State) jurisdiction.At the first tier,at the national level, there is a Darpan Mandal which is the head of this regulatory network, connected to all the Darpan Sansads.This

Darpan Mandal is attached to the Central Ministerial Group and the Nodal Darpan at the first tier. The regulation of conflict is based on Principal-Agent theory which fixes accountability and also provides smooth means of conflict resolution.

The regulation of profits of these Darpan across the country are based on the RPI-X regulation which compels the Darpan to be efficient, effective, competitive and judicious in their use of resources and funds because according to this price cap regulation mechanism, the quantum of profits earned depends on the efficiency and competitiveness of the firm as profits are a function of the efficiency of the firm. This incentivizes healthy competition among different Darpan. This is a cooperative-competition model as there is cooperation within a specific Darpan's jurisdiction and each of the Darpan compete with each in performance.

To promote competition it further, the National Darpan Rating Agency will be instituted and will be at the national level to rate the different Darpan across the country. As mentioned earlier, a digital map and list of all the Darpan in the country is maintained which is used for rating based on performance against the specific indicator that is created which is called social turnovers. The best Darpan is with the best social turnover. This social turnover for each Darpan is calculated based on the defined set of indicators as mentioned above by the National Darpan Rating Agency. The social turnovers calculated are published regularly on the corresponding Darpan websites. The social turnover calculated is then scaled from 1 to 10.10 being highest and 1 being the least.

The rating system is as follows:-

<u>Levels</u>	<u>Social turnover Scores</u>
1. Platinum -	> 9
2. Gold -	> 6 & < 8
3. Silver -	> 3 & < 5
4. Bronze -	< 2

Based on the ratings achieved by these Darpan, they will be provided with additional benefits, incentives, flexibilities from the government. In addition to this, on Pravasi Bharatiya Divas (Indian Diaspora Day), the three top Darpan will be awarded recognition and status according to their performance. With increase in the level, the incentives and benefits also rise further promoting competition among the Darpan in the country. The National Darpan Rating Agency will again be appointed by the Central Ministerial Group at the national level. This rating agency is independent and autonomous, status equivalent to that of RBI. But the members can be impeached on the proven grounds of incompetence and corruption.

- Frame of Reference, Unit of Analysis and Assumptions

The frame of reference is all the gram panchayats(village councils) in India and the unit of analysis is the village as this development model centrally revolves around the village. This model assumes parallel, pipelined and simultaneous development of all gram panchayats beginning from the same initial platform of development. It also assumes that the diaspora has returned and as permanent residents in India. Certain calculations of percentages of funding for Darpan model is based on certain assumptions and done under *ceteris paribus*.

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